



COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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October 17, 2006

IN REPLY PLEASE

REFER TO FILE: **PJ-2**

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**HARBOR-UCLA MEDICAL CENTER
SURGERY/EMERGENCY REPLACEMENT PROJECT
APPROVE VARIOUS ACTIONS
SPECS. 5110 AND 6779; C.P. 69220
SUPERVISORIAL DISTRICT 2
3 VOTES**

**JOINT RECOMMENDATION WITH THE CHIEF ADMINISTRATIVE OFFICER AND
THE DIRECTOR OF HEALTH SERVICES THAT YOUR BOARD:**

1. Approve a revised project budget of \$344.1 million for the Harbor-UCLA Medical Center Surgery/Emergency Replacement project as detailed in Enclosure A.
2. Authorize the Department of Public Works to commence site preparation/ make-ready activities and related infrastructure work using Job Order Contracts (JOC) at an estimated fee of approximately \$13,500,000, and as described in the following recommendations.
3. Adopt plans and specifications for the construction of the Harbor-UCLA Medical Center's interim helistop at an estimated construction cost of \$1,200,000, and instruct the Executive Officer of the Board to advertise for bids to be received and opened on November 21, 2006, according to the Instruction Sheet for Publishing Legal Advertisements (Enclosure B).

4. Authorize the Director of Public Works to execute a Consultant Services Agreement with the apparent lowest responsible bidder for the interim helistop to prepare a baseline construction schedule for a not-to-exceed fee of \$2,200.
5. Authorize Internal Services Department to issue a purchase order for the installation of new replacement modular trailers for Harbor-UCLA Medical Center Buildings D-9 and N-20 at an estimated fee of \$4,500,000.
6. Award and authorize the Director of Public Works to execute Supplemental Agreement 2 to Contract PW-12438 with Sigma Engineering, Inc., for additional environmental consulting services for a not-to-exceed fee of \$196,000.
7. Approve the formation of a Project Advisory Committee for the Harbor-UCLA Surgery/Emergency Replacement project.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Approval of the recommended actions will approve an increased project budget and authorize site preparation/make-ready construction activities for the Surgery/Emergency Replacement project to commence. Approval of these recommendations will also facilitate the Department of Health Services' efforts to accommodate the proposed reconfiguration of patient care services at Harbor-UCLA and Martin Luther King Jr./Drew Medical Centers recently approved by your Board.

Background

In 1992, your Board authorized the initiation of design activities for a 190,300-square-foot hospital addition containing new surgery and emergency facilities at Harbor-UCLA Medical Center. While design documents were submitted to the Office of Statewide Health Planning and Development (OSHPD) for review in 1994, authorization to complete the project was deferred due to uncertainties surrounding the Health Services' fiscal position. Despite the deferral of final Project approval, your Board has authorized design review activities with OSHPD to continue at a minimal level in order to maintain the project's eligibility for partial reimbursement under the SB 1732 program.

On September 13, 2005, your Board directed the Chief Administrative Office and the Health Services to identify Health Services' highest priority capital needs and to prepare financing recommendations that would enable Health Services to meet such needs. In a January 23, 2006 memorandum, the Chief Administrative Office reported to your Board that the project was estimated to cost \$137.0 million. Through a series of actions on that date, your Board authorized financing for the project and other high-priority health services capital needs.

Since that approval, an extensive cost validation effort has been completed, and the project is now estimated to cost \$344.1 million. Notwithstanding this significant increase in estimated project costs, it is recommended that the project proceed as currently planned.

Increased Project Cost

Based on the cost validation review, the increase in the estimated project costs is primarily attributable to the following factors:

- The cost estimated in January 2006 was based on the last comprehensive construction cost estimate, which was performed in 2001, while the recent cost validation review was based on nearly complete construction documents and current market conditions.
- The unprecedented escalation in construction costs experienced on a nationwide basis between 2001 and 2006.
- The 2001 cost estimate did not reflect \$89 million in fixed medical equipment and additional scope that has been incorporated into the project's design to mitigate potential impacts to hospital operations and patient services.

The primary factor for the increase in the project's construction costs since 2001 is the escalation in construction costs that has been experienced in projects across the nation. The rise in construction costs is primarily attributable to (1) increased construction work throughout the world and the attendant rise in demand for building materials and construction labor and (2) a highly priced bidding environment that has resulted from the high availability of construction work and the limited number of contractors that can meet the stringent experience and bonding capacity requirements associated with large, complex hospital projects.

Escalation in material and labor costs and indirect costs for the Surgery/Emergency Replacement project is responsible for \$118 million or 57 percent of the overall increase

in the project's costs since 2001. Such an increase is consistent with the dramatic 66 percent increase in Statewide hospital construction costs reported in January 2006 by the California Hospital Association since 2003.

The \$89.0 million in scope that has been added to the project since 2001 includes \$51.3 million in fixed medical equipment, \$3.0 million in low voltage, \$20.9 million to remodel 45,000 square feet in the hospital's inpatient tower building that would be vacated in favor of the new Surgery/Emergency building, \$11.1 million for various make-ready construction projects to clear the site and lessen operational impacts, \$1.2 million for central plant upgrades necessary to support the project, and \$1.4 million is required to relieve congestion to the hospital's materials receiving and warehousing operations during construction.

Project Development Alternatives

In response to this significant cost growth, several alternative configurations of the project were reviewed by Public Works, Chief Administrative Office, and Health Services. Each option was evaluated and analyzed in terms of cost and programmatic impacts as described below:

Option 1: Construct the building's core and shell plus the basement and the completion of central sterile processing, storage, and central sterile equipment space.

Estimated Cost: \$185.0 million

Deferred Construction: Build-out of the emergency room, trauma, and surgical departments and remodel of 45,000 square feet in the hospital's existing inpatient tower building that would be vacated in favor of the Surgery/Emergency building.

Option 2: Construct the building's core and shell, central sterile processing, storage, central sterile equipment space, and surgical department.

Estimated Cost: \$236.0 million

Deferred Construction: Build-out of the emergency room and trauma space and remodel of 45,000 square feet in the hospital's existing inpatient tower building that would be vacated in favor of the Surgery/Emergency building.

Option 3: Construct the entire Surgery/Emergency Building project as planned.

Estimated Cost: \$294.0 million

Deferred Construction: Remodel of 45,000 square feet in the hospital's existing inpatient tower building that would be vacated in favor of the new Surgery/Emergency building.

Option 4: Construct the entire Surgery/Emergency Building project with remodeling of 45,000 square feet in the hospital's existing Inpatient Tower building as planned.

Estimated Cost: \$344.1 million

Deferred Construction: None

In terms of operational impacts, deferring construction of space for critical functions, such as the emergency, trauma, or surgery could severely compromise the hospital's ability to maintain its training and bioterrorism preparedness programs and meet ongoing accreditation standards. Deferral of the remodeling of the space to be vacated in favor of the Surgery/Emergency building could also diminish the hospital's ability to accommodate the proposed transfer of certain patient services from Martin Luther King Jr./Drew Medical Center to the Harbor-UCLA site.

Based on the potential impacts to patient services, Health Services and the Chief Administrative Office have identified Option 4 as the preferred construction program.

Preliminary Construction Activities

Prior to constructing the new Surgery/Emergency building, preparatory construction activities must be completed to clear the project site. The new facility will be built at the site of the existing hospital loading dock, which requires modification of numerous utilities; relocation of essential receiving, patient entry, and storage functions and the provision of temporary loading docks and an interim helistop. A recommendation to adopt and advertise the plans and specifications for the construction of the interim helistop is included in these actions.

These site preparation activities will be contracted via Board-approved JOCs. Upon your Board's approval of the recommended actions, a series of JOC task orders will be issued by Public Works to complete numerous demolition, relocation, and refurbishment

activities to maintain hospital functions during construction at an estimated cost of approximately \$13,500,000.

Upon your Board's approval, Public Works will also manage the installation of replacement modular trailers for Harbor-UCLA Buildings D-9 and N-20 that will be procured by Internal Services via purchase order. The existing Buildings D-9 and N-20 will be demolished after administrative and clinical functions have been relocated to these new modular facilities.

Environmental Consulting Services

The proposed Supplemental Agreement with Sigma provides for on-site monitoring and reporting during construction to ensure compliance with the mitigation measures included in the Mitigation Monitoring Program previously approved by your Board. These services will be provided for a not-to-exceed fee of \$196,000.

Design Services Alternatives

We are investigating alternative project delivery systems for the project: design-bid-build versus the recently legislated design-build project delivery system. Our initial analysis shows that design-build could minimize risk and yield a higher-quality product. Until we complete this investigation, the project architect/engineer, Leo A. Daly/HKS, will continue completion of design documents as previously authorized by your Board. Upon completion of this analysis, we will return to your Board with a recommended project delivery approach, including recommendations with regard to the Daly/HKS Contract.

Project Advisory Committee

It has been demonstrated during construction of the LAC+USC Medical Center Replacement project that a Project Advisory Committee is valuable for several reasons such as:

- Providing independent oversight of project construction progress with the primary objective to help ensure the project is delivered on time and within budget.
- Advising project stake holders of potential construction changes or other significant project and/or operational issues prior to placing those recommendations on your Board's agenda for approval.

Therefore, upon your Board's approval, the Chief Administrative Office will work with Health Services and Public Works to form a Project Advisory Committee for this project.

Implementation of Strategic Plan Goals

These actions meet the County Strategic Plan Goals of Service Excellence, Fiscal Responsibility, and Children and Families' Well-Being by investing in public health infrastructure and improving access to surgery and emergency services in the southern and western areas of the County. Completion of this project will provide much needed improvements to the facility for the residents of the County.

FISCAL IMPACT/FINANCING

The estimated project cost has increased from \$137.0 million to \$344.1 million, which is \$207.1 million higher than the estimate reported in January 2006. Annual debt service requirements over a 30-year term, net of reimbursement through SB 1732 at an assumed rate of 50 percent, are currently estimated at \$13.8 million each year, commencing in Fiscal Year 2012-13. Based upon the financing projections provided by the Chief Administrative Office in January 2006, Health Services and the Chief Administrative Office concur that Health Services will be able to absorb the annual debt service payments associated with the project's revised cost estimate.

Approval of the recommended actions will authorize the expenditure of \$19.4 million for site preparation/make-ready construction activities (\$13.5 million), construction of an interim helistop (\$1.2 million), issuance of replacement modular trailer purchase orders (\$4.5 million), and a Supplemental Agreement with Sigma (\$196,000).

Sufficient appropriation is available within the Fiscal Year 2006-07 Health Facilities Capital Improvement Special Fund under C.P. 69220 to fund the above-mentioned site preparation/make-ready construction and Agreements for consultant and County services.

Operating Budget Impact

Based upon current salary and employee benefit rates, Health Services currently estimates an increase in annual ongoing operating costs between \$1.5 million and \$3.0 million annually to operate and maintain the new improvements.

Based on the project's current schedule, one-time and ongoing operating costs would be incurred beginning in Fiscal Year 2011-12. The Chief Administrative Office will work with Health Services to review the operating cost estimates and determine the appropriate operating requirements and available funding. Although Health Services is

restructuring its programming to address its budget gap and mitigate the need for program and service curtailments in future years, Health Services has placed a high priority on this project and will include these additional operating costs in its forecast.

Further, upon completion of the project, Health Services anticipates additional one-time startup costs for medical equipment, which would be funded separately from the project budget. Health Services is working closely with Public Works and its medical equipment planning consultants to identify needs and analyze options utilizing reuse, leasing, and new purchasing.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Standard Agreements, in the form previously approved by County Counsel, will be used. The Agreements and the project specifications include the standard Board-directed clauses that provide for Contract termination, renegotiation, hiring qualified displaced County employees, and consideration for Greater Avenues for Independence Program/General Relief Opportunities for Work participants for future employment.

As required by your Board, language has been incorporated into the project specifications and Agreements allowing the County to terminate the Contracts if it is found that the contractor offered or gave improper consideration to County employees.

The project's specifications and Agreements also require contractors and consultants to show full compliance with Los Angeles County Code Chapter 2.200 (Child Support Compliance Program), Chapter 2.203 (Contractor Employee Jury Service Program), and Board Policy 5.135 (Safely Surrendered Baby Law). Sigma Engineering is in compliance with these Contract provisions.

ENVIRONMENTAL DOCUMENTATION

On April 11, 2006, your Board approved a Mitigated Negative Declaration for the Harbor-UCLA Medical Center Surgery/Emergency Replacement project and a Notice of Determination was filed with the Registrar-Recorder/County Clerk on April 13, 2006.

CONTRACTING PROCESS

Site Preparation

The site preparation, refurbishment, and relocation work will be performed through several contracting strategies, including JOCs that are managed by Public Works.

Advertising for bids for the interim helistop will be in accordance with the County's standard Instruction Sheet for Publishing Legal Advertisements (Enclosure B). As requested by your Board on February 3, 1998, this Contract opportunity will be listed on the Doing Business with Us website. Participation by Community Business Enterprises (CBE) in the project is encouraged through Public Works' Capital Projects CBE Outreach Program and by monitoring the good faith efforts of bidders to utilize CBE.

The proposed Consultant Services Agreement requires the apparent lowest responsive bidder to prepare a baseline construction schedule that conforms to the County's schedule specification, which is critical to successfully managing construction activities by both the contractor and the County. Bid documents provide that if the apparent lowest responsive bidder fails to complete an acceptable schedule, the Director of Public Works may return to your Board to recommend that the low bidder be declared nonresponsible so that the Construction Contract could be awarded to the next apparent lowest responsible bidder, contingent on the bidder completing a baseline schedule that conforms to the County's specifications. Following receipt of bids scheduled for November 21, 2006, we will return to your Board for Construction Contract award.

Upon your Board's approval, Public Works will proceed with the acquisition and installation of new modular replacement trailers for Buildings D-9 and N-20.

Sigma Engineering Environmental Consulting Services

On November 5, 2001, Public Works executed Contract PW-12438 with Sigma to prepare an environmental document for a \$72,000 not-to-exceed fee. On December 14, 2004, your Board authorized Supplemental Agreement 1, increasing the Contract value to \$124,700. We are now recommending awarding Supplemental Agreement 2 for the \$196,000 not-to-exceed fee for mitigation monitoring of the construction phase. This will increase the total value of Contract PW-12438 to \$320,700.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

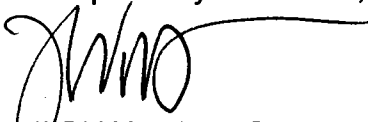
The project is being implemented in phases in order to reduce disruption. The site preparation activities, including the interim helistop and the new modular trailers, will reroute, relocate, or replace existing facilities to prepare the site for construction of the Surgery/Emergency Building addition. The project specifications require the contractors and vendors to coordinate their construction schedules to minimize disruption of the daily activities of the hospital, which will remain fully operational during these construction activities.

During the completion of design, extensive coordination was performed with the hospital staff to identify and implement measures to mitigate potential construction conflicts and minimize impacts on hospital operations and patient care.

CONCLUSION

Please return an adopted copy of this letter to the Chief Administrative Office (Capital Projects Division), Health Services, and Public Works.

Respectfully submitted,


for DONALD L. WOLFE
Director of Public Works


DAVID E. JANSSEN
Chief Administrative Officer


BRUCE A. CHERNOF, M.D.
Director and Chief Medical Officer

SB:js

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Enc.

cc: County Counsel
Internal Services Department (Joe Sandoval)
Office of Affirmative Action Compliance (Ozie Smith)
Department of Public Social Services (GAIN/GROW Program)

October 17, 2006

ENCLOSURE A

**HARBOR-UCLA MEDICAL CENTER
SURGERY/EMERGENCY REPLACEMENT PROJECT
APPROVE VARIOUS ACTIONS
SPECS. 5110 AND 6779; C.P. 69220**

I. PROJECT SCHEDULE

Project Activity	Scheduled Completion Date	Revised Completion Date
Environmental Documents	05/10/06	04/11/06*
<u>Make-Ready</u>		
Jurisdictional Approvals	04/05/06	06/12/06*
Construction Award	07/18/06	10/18/06
Construction Start	08/14/06	10/19/06
Substantial Completion	06/11/07	02/29/08
<u>Surgery/Emergency Building</u>		
Jurisdictional Approvals	03/28/07	08/29/07
Construction Award	09/11/07	01/15/08
Construction Start	01/03/08	04/24/08
Substantial Completion	02/08/10	07/10/11
<u>Backfill</u>		
Jurisdictional Approvals	06/08/11	06/08/11
Construction Award	09/08/11	01/16/12
Construction Start	12/13/11	04/17/12
Substantial Completion	01/10/13	05/16/13

*Indicates actual dates

II. PROJECT BUDGET SUMMARY

	* Existing TPCE	Impact of Actions	New Budget
Land Acquisition			
Construction			
a) Site Preparation		\$ 18,200,000	\$ 18,200,000
b) Surgery/Emergency Replacement			
- Base Construction	\$ 91,097,325	\$ 79,152,675	\$170,250,000
- Change Order Allowance	\$ 8,806,690	\$ 16,731,310	\$ 25,538,000
Subtotal Construction	\$ 99,904,015	\$114,083,985	\$213,988,000
Plans and Specs	\$ 7,942,592	\$ 24,887,408	\$ 32,830,000
Equipment	\$ 2,150,143	\$ 43,229,857	\$ 45,380,000
Consultant Services	\$ 18,887,228	\$ 14,479,772	\$ 33,367,000
Permits and Fees	\$ 1,712,767	\$ 1,994,233	\$ 3,707,000
County Services	\$ 6,318,841	\$ 6,037,159	\$ 12,356,000
Miscellaneous Expenditures	\$ 165,850	\$ 2,306,150	\$ 2,472,000
TOTAL	* \$137,081,436	\$207,018,564	\$344,100,000

* Total Project Cost Estimate reported in January 2006.

October 17, 2006

ENCLOSURE B

**HARBOR-UCLA MEDICAL CENTER
SURGERY/EMERGENCY REPLACEMENT PROJECT
APPROVE VARIOUS ACTIONS
SPECS. 5110 AND 6779; C.P. 69220**

PUBLISHING LEGAL ADVERTISEMENTS: In accordance with the State of California Public Contract Code Section 20125, you may publish once a week for two weeks in a weekly newspaper or ten times in a daily newspaper. Forward three reprints of this advertisement to Architectural Engineering Division, Department of Public Works, 900 South Fremont Avenue, 8th Floor, Alhambra, California 91803-1331.

**OFFICIAL NOTICE
INVITING BIDS**

Notice is hereby given that the Director of Public Works will receive sealed bids for furnishing all materials, labor, and equipment required to complete construction for the following work:

<u>SD</u>	<u>SPECS.</u>	<u>PROJECT</u>	<u>BID DOC. FEE</u>	<u>DATE OF BID OPENING</u>
2	5110	Harbor-UCLA Medical Center Surgery/Emergency Replacement Project Interim Helistop 1000 West Carson Street Torrance, CA 90509	\$75	11/21/06

Copies of the project manual and drawings may be obtained at the Cashier's office, Department of Public Works, 900 South Fremont Avenue, Mezzanine, Alhambra, California 91803, for the fee stated above. For bid information, please contact Mr. David Asato of Architectural Engineering Division at (626) 458-2586. Each bid shall be submitted on the required form, sealed, and filed at the Cashier's office no later than 10:45 a.m. on the date indicated. Bids will be publicly opened, examined, and declared by Public Works at 11 a.m. in the Architectural Engineering Division's Conference Room, 8th Floor, at 900 South Fremont Avenue, Alhambra, California 91803. Bids must conform to the drawings and project manual and all bidding requirements. This project requires the prime contractor to possess an A or B license classification at the time of bid. The contractor should verify to his/her satisfaction that he/she holds the correct license for this type of project.

OTHER INSTRUCTIONS

The County supports and encourages equal opportunity contracting. The contractor shall make good faith efforts, as defined in Section 2000 of Public Contract Code, relating to contracting with Community Business Enterprises.

The Board of Supervisors reserves the right to reject any or all bids or to waive technical errors and discrepancies in bids submitted in the public's interest.

Si necesita información en Español, por favor llame al telefono (626) 458-2563.



Upon 72-hours notice, Public Works can provide program information and publications in alternate formats or make other accommodations for people with disabilities. In addition, program documents are available at our main office in Alhambra (900 South Fremont Avenue), which is accessible to individuals with disabilities. To request accommodations ONLY or for more Americans with Disabilities Act (ADA) information, please contact our departmental ADA Coordinator at (626) 458-4081 or TDD (626) 282-7829, Monday through Thursday, from 7 a.m. to 5:30 p.m.



Con 72 horas de noticia, el Departamento puede proveerle información y publicaciones sobre el programa y formatos alternativos o hacer adaptaciones para incapacitados. Además, documentación sobre el programa está disponible en nuestra oficina principal en Alhambra (900 South Fremont Avenue), la cual es accesible para individuos con incapacidades. Para solicitar adaptaciones SOLAMENTE o para mas información del ADA, pongase en contacto con nuestro Coordinador del ADA del Departamento al (626) 458-4081 o TDD (626) 282-7829, de lunes a jueves de las 7 a.m. a 5:30 p.m.

By order of the Board of Supervisors of the County of Los Angeles, State of California, dated October 17, 2006.

Specs. 5510

SACHI A. HAMAI, EXECUTIVE OFFICER
CLERK OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF LOS ANGELES